

Message Text

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ACTION EB-07

INFO OCT-01 EA-06 ISO-00 COME-00 SP-02 AID-05 NSC-05

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FM AMEMBASSY TOKYO

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EO 11652: NA

TAGS: EIND ETRD JA

SUBJ: JAPANESE FERROUS SCRAP REQUIREMENTS JAN-JUNE 1975

REF: A. STATE 241649 B. TOKYO 12281 C. TOKYO 12654 (1973)
D. TOKYO 6520

SUMMARY: MITI ESTIMATES FIRST SIX MONTHS 1975 STEEL PRODUCTION AT 56-58 MILLION MT AND IMPORT DEMAND FOR FERROUS SCRAP AT 1.8-2 MILLION MT WITH 1.4-1.5 MILLION MT SUPPLIED BY THE U.S. (ABOUT THE CURRENT QUOTA LEVEL). SCRAP INVENTORY AT END AUG 1974 WAS 10-11 DAYS. GOJ BELIEVES SCRAP SHORTAGE HAS EASED AND HAS REQUESTED ADVANCE CONSULTATIONS SHOULD USG DECIDE TO LIFT QUOTA RESTRICTIONS. END SUMMARY.

1. JAPANESE STEEL INDUSTRY HAS BEGUN TO FEEL EFFECTS OF GENERAL ECONOMIC SLOWDOWN, AND OFFICIALS OF MITI'S IRON AND STEEL ADMINISTRATION SECTION BELIEVE FERROUS SCRAP SHORTAGE NEARLY OVER. MITI ANXIOUS TO FORESTALL POSSIBLE BUYING RUSH SHOULD USG DISCONTINUE EXPORT CONTROLS AND ASKED EMBASSY TO CONVEY GOJ REQUEST FOR ADVANCE NOTICE AND CONSULTATION ON ANY USG MOVE TO END QUOTA SYSTEM.

2. MITI HAVING DIFFICULTY ADMINISTERING ITS SCRAP IMPORT LICENSING SYSTEM BECAUSE U.S. SHIPPERS HAVE
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NOTIFIED JAPANESE IMPORTERS THAT THEY HAVE FOURTH QUARTER ALLOTMENTS WHICH WHEN ADDED TOGETHER TOTAL ABOUT 30,000 ST IN EXCESS OF JAPAN'S QUOTA. ACCORDING MITI OFFICIALS, GOJ HAS RAISED THIS PROBLEM WITH COMMERCE IN WASHINGTON. MITI ASKED EMBASSY ALSO TO TRANSMIT ITS REQUEST THAT COMMERCE EITHER ABOLISH ALLOTMENT OF QUOTAS TO U.S. SHIPPERS OR NOTIFY THE GOJ OF EACH U.S. SHIPPERS QUOTA TO ENABLE MITI TO CHECK DISCREPANCIES. MITI BELIEVES A FEW U.S. SCRAP DEALERS HAVE PADDED THEIR FIGURES IN HOPE THAT QUOTA RESTRICTIONS WOULD BE LIFTED DURING THE FOURTH QUARTER.

3. A-C BELOW CORRESPOND TO INFO REQUESTED REF A, PARA 2.

A. IN SEPT MITI ESTIMATED FOURTH QUARTER CY 1974 STEEL PRODUCTION AT 29.8 MILLION MT (SEE REF B) BUT NOW BELIEVES IT WILL NOT EXCEED 28-29 MILLION MT. OFFICIAL FIRST QUARTER CY 1975 PRODUCTION ESTIMATE WILL BE ANNOUNCED MID-DEC., BUT ACCORDING TO OFFICIALS OF MITI IRON AND STEEL ADMINISTRATION SECTION, IT WILL BE 28-29 MILLION MT, ASSUMING NO SUDDEN CHANGES OCCUR IN OVERALL JAPANESE ECONOMIC PROSPECTS. BARRING UNFORESEEN DEVELOPMENTS OR REVERSAL OF CURRENT GOJ DEMAND RESTRAINT POLICY, MITI ANTICIPATES THAT CY 1975 SECOND QUARTER STEEL PRODUCTION ALSO WILL BE 28-29 MILLION MT. MITI OFFICIALS STRESSED THAT THESE ESTIMATES ARE ROUGH AND BASED ON ASSUMPTION THAT U.S. COAL STRIKE WILL BE SETTLED SOON AND THAT RAW MATERIAL AND ENERGY SUPPLIES WILL BE ADEQUATE.

B. MITI ESTIMATES TOTAL JAN-JUNE 1975 DEMAND FOR IMPORTED SCRAP AT ABOUT 1.8-2 MILLION MT INCLUDING 1.4-1.5 MILLION MT FROM THE U.S.

C. FERROUS SCRAP STOCKS AT END AUG 1974 WERE 1.79 MILLION MT, THE EQUIVALENT OF A 0.54 MO. (10-11 WORK DAYS) SUPPLY.

4. RE PARA 3 REF A, JAPANESE STEEL PRODUCTION JAN-SEPT 1974 WAS 88.5 MILLION MT, 5 MILLION MT LESS LIMITED OFFICIAL USE

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THAN MITI-EMBASSY ESTIMATES REPORTED OCT 1974 (SEE REF C). ACTUAL PRODUCTION FOR 2ND HALF CY 1974 LIKELY TO BE ABOUT 2-2.5 MILLION MT BELOW MITI ESTIMATE REPORTED MAY 1974 IN REF C. BUT AT LEAST ONE MILLION MT ABOVE PRIVATE INDUSTRY SOURCE CITED REF D. CURRENT MITI FORECAST FOR TOTAL JFY 1974 (BEGAN APRIL 1, 1974) PRODUCTION IS 118-119 MILLION MT.

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*** Current Handling Restrictions *** n/a

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